

Arizona's Drinking Water Revolving Fund

FINAL Intended Use Plan



Water Infrastructure Finance Authority of Arizona

Funding Cycle 2004

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EXECUTIVE SUMMARY



The board of directors of the Water Infrastructure Finance Authority of Arizona is pleased to release **Arizona's Drinking Water Revolving Fund (DWRF) Intended Use Plan (IUP) for the 2004 funding cycle**. The DWRF IUP describes Arizona's plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the 2004 funding cycle from January 1, 2004 through December 31, 2004.

Included as *Exhibit A* of the DWRF IUP is the **2004 Funding Cycle Priority List (PL)**. The PL shows communities and water systems seeking financial assistance from Arizona's DWRF. Communities and water systems throughout Arizona submitted **81 applications requesting \$119,159,825 in financial assistance**.

From January 1, 2004 through December 31, 2004, WIFA's board of directors will use the PL as a guide to allocate financial assistance from Arizona's DWRF to communities and water systems listed on the PL. Each quarter, WIFA's board of directors will revise the PL and modify the fundable range for construction based on project's readiness to proceed and other new information. WIFA staff will circulate the revised PL and fundable range to communities and water systems listed on the PL.

Overall, the financial assistance and related program activities supported by Arizona's DWRF share the same objectives -- **protect public health, ensure safe and sustainable drinking water, and ensure the affordability of basic water infrastructure** – that meets the requirements of the Safe Drinking Water Act.

SECTION 1: INTRODUCTION

During the 2004 funding cycle, Arizona's DWRF capacity will depend on the:

1. Amount of state contributions to Arizona's DWRF;
2. Amount of federal contributions to Arizona's DWRF;
3. Financing structure needs of water systems;
4. Interest rate on the DWRF financial assistance; and,
5. Availability of other state funds to support financial assistance activity.



SECTION 2: FUNDING SOURCES AND USES



Arizona's DWRF is capitalized by state contributions and by contributions appropriated by the United States Congress. Once capitalized, Arizona's DWRF provides, in perpetuity, financial assistance to drinking water systems throughout Arizona.

During the 2004 funding cycle, Arizona's DWRF will rely on the funding outlined in **Table 1** to provide financial assistance to communities, support WIFA's operations, and support related program activities administered by WIFA and/or the Arizona Department of Environmental Quality (ADEQ). **Through active portfolio and financial management, WIFA's lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.** Each of the intended uses of funding is more fully described in Table 1.

Table 1: Arizona DWRF Sources & Uses for 2004 Funding Cycle

* State match can be either WIFA bonds or state general fund monies.

	Federal Contributions	State Contributions*	Other	Total
Funding Sources (a)				
Uncommitted Prior Year Loan Funds			11,237,908	11,237,908
Investment Income			234,510	234,510
Loan Repayments (Principal & Interest)			2,253,385	2,253,385
2004 Funds	9,466,300	1,893,260		11,359,560
1:1 PWSS Expenditure Match		401,577		401,577
Total Funding Sources	9,466,300	2,294,817	13,725,803	25,486,920
Funding Uses				
Financial Assistance	7,519,775	1,893,260	13,725,803	23,138,838
Technical & Local Assistance	1,166,315			1,166,316
Public Water System Supervision	401,557	401,557		803,114
Administration	378,652			378,652
Total Funding Uses	9,466,300	2,294,817	13,725,803	25,486,920

The sources and uses for the 2004 funding cycle shown in Table 1 are based on the President's FY 2004 budget request. Should the final FY 2004 budget be different, the program sources and uses may be adjusted to the appropriated and enacted levels.

Financial Assistance: \$23,138,838

WIFA provides four types of financial assistance: cash funded loans, bond funded loans, linked deposits, and forgivable principal. Each of these types of financial assistance is more fully described within WIFA's DWRP financial plan. Of the total minimum available for financial assistance, \$9,413,035, WIFA will target a minimum of 15% for water systems that serve fewer than 10,000 persons.

Cash Funded Loans, Bond Funded Loans, and Linked Deposits: \$22,698,838 *(Includes \$7,069,775 of FY 2004 Federal Contributions, \$1,893,260 of State Contributions, and \$13,725,803 of Prior Year Loan Funds; SDWA reference: 1452 (a) (2) and (f))* – Eligible project costs include planning, design, engineering, and construction.

Additional Subsidies: \$450,000 *(4.75% of FY 2004 Federal Contributions; SDWA reference: 1452 (d))* – WIFA may award additional subsidies, including forgivable principal, to disadvantaged communities in accordance with WIFA Policy 1.013 – Disadvantaged Drinking Water Systems. Funds not awarded for this will revert to loans effective December 31, 2004.

Technical and Local Assistance: \$1,166,316

Capacity Development Assistance: \$710,000 *(7.5% of FY 2004 Federal Contributions; Safe Drinking Water Act (SDWA) reference: 1452 (k) (1) (B))* – Within the 2005 technical assistance funding cycle, WIFA and ADEQ will coordinate the use of this funding to award project, policy and operational technical assistance as described below.

- Project – Within the 2005 technical assistance funding cycle (July 1, 2004 – June 30, 2005), WIFA will award technical assistance to specific water systems to facilitate project development.
- Policy – Within the 2005 technical assistance funding cycle, WIFA will fund projects, demonstrations, studies and proposals which benefit a wide range of water systems.
- Operational – Within state FY 2005, ADEQ will assist systems to analyze and evaluation system performance and provide site-specific training on system functions/operations.

Funds not awarded for this purpose will revert to loans effective August 1, 2005.

Wellhead Protection: \$456,316 *(4.82% of FY 2004 Federal Contributions; Safe Drinking Water Act (SDWA) reference: 1452 (k) (1) (D))* – During state FY 2005, ADEQ will use this funding to strengthen the Wellhead Protection (WHP) Program in order to (1) support groundwater protection activities and (2) transition the massive number of drinking water sources from the assessment phase to the protection phase. Funds not used for this purpose will revert to loans after effective August 1, 2005.

Public Water System Supervision: \$803,114 (Includes 4.24%, \$401,557 of FY 2004 Federal Contributions and \$401,557 in the required \$1 to \$1 match; Safe Drinking Water Act (SDWA) reference: 1452 (g) (2) (A)) – During state fiscal year 2005, ADEQ will use the funding for a variety of public water system supervision programs including Arizona’s existing operator certification programs. ADEQ will match expenditure of federal funds with an equal amount of state funds not connected to the state match used for standard project loans. Funds not used for this purpose will revert to loans effective August 1, 2005.

Administration: \$378,652 (4% of FY 2004 Federal Contributions; SDWA reference: 1452(g)(2)) – During state FY 2005, WIFA will use the funding to administer Arizona’s DWRf and assist drinking water systems to conceive, develop, expedite, construct, and finance technically sound and sustainable water infrastructure.

SECTION 3: GOALS

WIFA adopts an annual strategic plan listing goals, ongoing objectives, and annual objectives. The goals listed below are taken directly from WIFA’s 2003-2004 Strategic Plan. For additional detail on goals, ongoing objectives, and annual objectives, which reflect state and federal requirements, request a copy of the 2003-2004 Strategic Plan from Suzanne Price, WIFA’s communications director.



Goal 1: Award WIFA’s resources in accordance with the needs of Arizona’s citizens.

Goal 2: Maintain the fiscal integrity of WIFA’s funds and assure continuous enhancement for future generations.

Goal 3: Facilitate access to and efficiently deliver financial and technical assistance.

Goal 4: Coordinate with other funding sources, technical resources, and regulatory authorities, and private sector legal and financial counterparts.

Goal 5: Actively pursue leadership in infrastructure finance.

Goal 6: Efficiently administer WIFA within a positive work environment.

Goal 7: Facilitate and encourage board of director involvement in WIFA.

SECTION 4: METHOD AND CRITERIA FOR DISTRIBUTING ARIZONA’S DWRf

Lending Capacity for 2004 Funding Cycle – At the minimum, Arizona’s DWRf will have \$25,486,920 for financial assistance during the 2004 funding cycle. **Through active portfolio and financial management, WIFA’s lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.**

If there are insufficient projects ready to proceed during the 2004 funding cycle, WIFA will apply funds to the FY 2005 funding cycle project priority list. If additional funding becomes

available during the fiscal year, WIFA will expand the fundable range of the 2004 funding cycle project priority list.

Each quarter, WIFA may update the DWRF PL, fundable range for design and fundable range for construction based on project readiness to proceed (includes by-pass procedures), refined project cost estimates, availability of other funding sources, funding emergencies, and other new information affecting the expansion and contraction of the PL and fundable ranges. WIFA's board of directors will adopt the updated DWRF PL and fundable ranges at public meetings and will distribute the updates to all DWRF PL applicants and other interested parties.

Priority List, Exhibit A –WIFA staff convened a scoring committee including the Arizona Department of Environmental Quality, Arizona Department of Water Resources, Arizona Corporation Commission, and USDA Rural Development. The committee scored and ranked the priority list applications submitted by communities pursuant to WIFA's DWRF award criteria as established in rule. All eligible applications received appear on the 2004 funding cycle priority list.

Fundable Range for Design, Exhibit B – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

Fundable Range for Construction, Exhibit C– Includes the highest ranking applicants ready to receive construction assistance.

Market Loan Rate – WIFA's board of directors has established a target interest rate ranging between 70% and 100% of tax-exempt interest or prime rates. WIFA's board of directors will set interest rates/subsidies on individual loans pursuant to the:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's DWRF.

Local fiscal capacity will be measured by the area's median household income, user rates and charges, and the community's outstanding debt.

Binding Commitments – WIFA's board of directors will allocate financial assistance in accordance with DWRF funds available, the DWRF PL, financial assistance requested, a community's financial capacity, and project readiness to proceed.

Once on the DWRF PL, an applicant will submit a project finance application to request financial assistance. WIFA staff will review the project finance application, analyze the applicant's legal, technical, managerial, and financial capability, and provide recommendations to WIFA's board of directors. If WIFA's board of directors approves an applicant's financial assistance request, WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

Federal and state funds will be committed within one year after receiving a federal payment.

SECTION 5: PUBLIC REVIEW AND COMMENT

WIFA solicited public review and comment on the draft **2004 DWRF IUP and PL** according to the following schedule of activities:

- | | |
|-------------------|--|
| October 30, 2003 | WIFA staff distributed the draft DWRF IUP and PL to all interested parties. |
| November 14, 2003 | Public Hearing – 1110 West Washington, Room #250, Phoenix, Arizona 85007 at 10:00 a.m. |
| November 24, 2003 | Deadline for public comments on the draft DWRF IUP and PPL. |
| December 17, 2003 | WIFA's board of directors adopts the final DWRF IUP and PL. |
| January 1, 2004 | Final DWRF IUP and PLs become effective. |

SECTION 6: ASSURANCES

Files and Records Retention – WIFA will receive and review project documents from financial assistance applicants. These documents will be filed in official project files maintained by WIFA. The project files and other DWRF records will be made available in accordance with the Arizona public records law. It is expected that EPA will review the files on a sample basis in conjunction with on-site visits scheduled as part of WIFA's annual review or other monitoring of the state's management of DWRF funds.

WIFA will retain the official project files and other DWRF files in accordance with federal and state requirements.

Expeditious and Timely Expenditures – WIFA will expend DWRF funds in a timely and expeditious manner.

Environmental Review Requirements – In accordance with applicable federal requirements, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

Federal Cross Cutter Requirements – In accordance with 40 CFR 3550(o), WIFA will continue to ensure that financial assistance applicants have met all federal cross-cutter requirements.

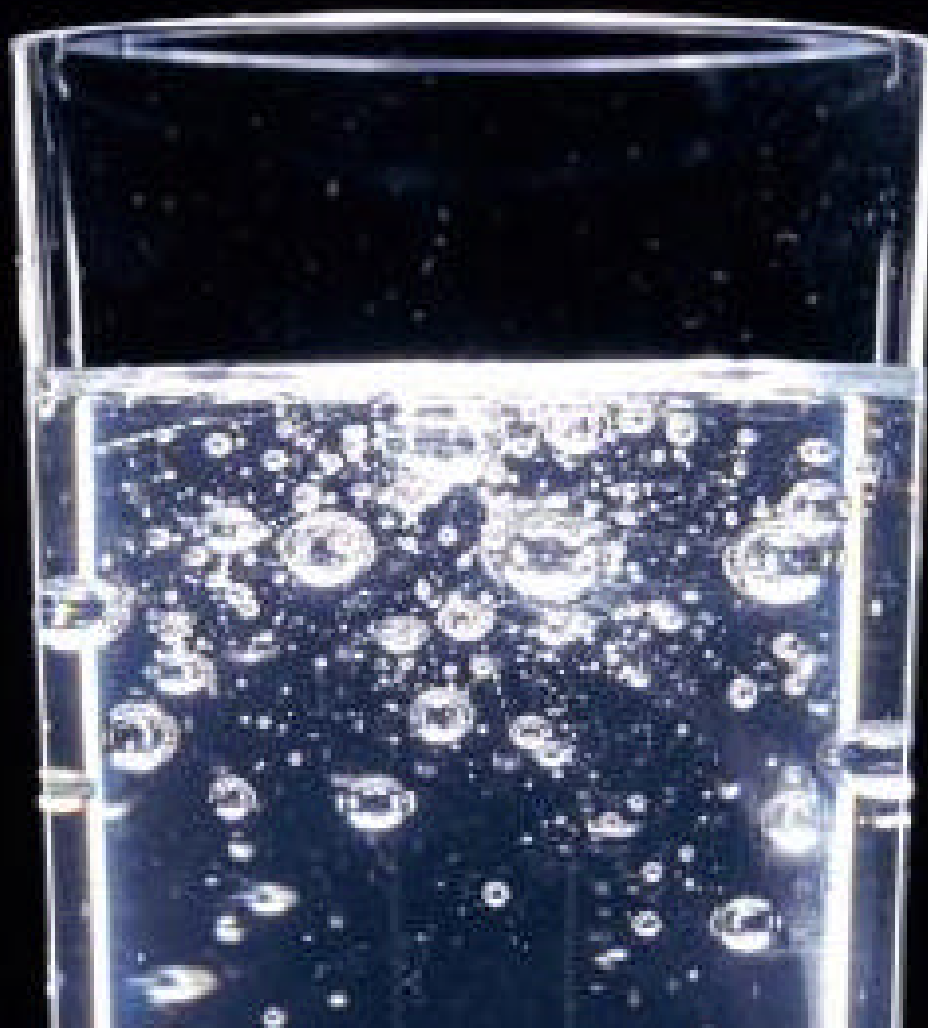
Transfer & Cross-Collateralization – In accordance with 40 CRF 35.3555(c), WIFA will continue to transfer funds between the Clean Water Revolving Fund (CWRF) and the Drinking Water Revolving Fund (DWRF) as needed. Arizona’s CWRF and DWRF are already cross-collateralized.



Exhibit A:

2004 Funding Cycle Priority List

Arizona's Drinking Water Revolving Fund



Arizona's Drinking Water Revolving Fund
2004 Funding Cycle -- Priority List for Drinking Water Revolving Fund
September 24, 2004

Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index	Funding Cycle
1	East Slope Water Co.	2,500	Ramsey Storage Tank	048 2004	\$ 400,000	70%	2004
2	Shepard Water Co	400	Arsenic Removal	094 2004	\$ 170,411	70%	2004
3	Antelope Peak Domestic Water Improvement District	691	System Repair & Rehabilitation	086 2004	\$ 61,230	70%	2004
4	Antelope Run Water Co	400	Storage Tank	037 2004	\$ 300,000	70%	2004
5	Picacho Peak Water Company	30	Nitrate & Arsenic Removal	088 2004	\$ 1,200,000	75%	2004
6	Clearwater Utilities Co, Inc.	1,980	Arsenic Removal	090 2004	\$ 872,202	70%	2004
7	Abra Water Co., Inc	1,650	Arsenic Removal	085 2004	\$ 145,000	70%	2004
8	Camp Verde Water System, Inc	2,500	Arsenic Removal	091 2004	\$ 487,000	70%	2004
9	Oak Creek Utility Corp	50	O.C.U.C Tank Upgrade	004 2004	\$ 40,000	70%	2004
10	Water Utilitiy of Greater Buckeye, Inc.	1,145	Arsenic Removal	100 2004	\$ 300,000	70%	2004
11	Mtn Glen Water Service	370	Arsenic Treatment -- Linden West	014 2004	\$ 168,193	70%	2004
12	Flowing Wells Irrigation District	16,000	Arsenic Treatment System	087 2004	\$ 1,000,000	70%	2004
13	North Mohave Valley Corp.	4,200	Tank Construction and Rhabilitation	002 2004	\$ 250,000	70%	2004
14	Clay Springs Domestic Water Improvement District	429	Arsenic Reduction	015 2004	\$ 160,000	70%	2004
15	Woodruff Domestic Water Improvement District	161	Storage Tank	005 2004	\$ 135,376	70%	2004
16	Mtn Glen Water Service	60	Arsenic Treatment -- Clay Springs	011 2004	\$ 160,000	70%	2004
17	Mtn Glen Water Service	435	Arsenic Treatment -- Linden East	012 2004	\$ 176,367	70%	2004
18	Mtn Glen Water Service	51	Arsenic Treatment -- Pinedale	013 2004	\$ 136,150	70%	2004
19	City of Phoenix	1,300,000	Arsenic Treatment	031 2004	\$ 6,000,000	75%	2004
20	Oak Creek Water Co.	1,400	Arsenic Removal	092 2004	\$ 550,000	75%	2004
21	Valle Verde Del Norte Water Co Op	300	Arsenic Treatment	001 2004	\$ 75,000	75%	2004
22	Community Water Company	16,000	Arsenic Treatment Facilities	038 2004	\$ 3,700,000	75%	2004
23	Picacho Water Improvement Corp.	500	Facilitites Rehabilitation: Repair and Expansion	041 2004	\$ 365,000	75%	2004
24	Green Valley Domestic Water Improvement District	8,000	Grounwater Treatment	049 2004	\$ 625,000	75%	2004
25	City of Goodyear	15,000	Nitrate Treatment Project	068 2004	\$ 2,268,000	80%	2004
26	City of Goodyear	15,000	Arsenic Treatment Project	069 2004	\$ 2,268,000	80%	2004
27	City of Goodyear	15,000	Fluoride Treatment Project	070 2004	\$ 2,268,000	80%	2004
28	Bradshaw Water Company	275	Arsenic Removal	093 2004	\$ 200,000	70%	2004
29	Cornado Estates	590	New Well /Storage Tank / Booster Pump	059 2004	\$ 40,000	70%	2004
30	Crystal Water Co.	169	Alternate Water Source	060 2004	\$ 25,000	70%	2004
31	Cochise Water	999	New Water Sources & Storage Upgrade	063 2004	\$ 60,000	70%	2004
32	Water Utilities Community Facilities District	9,850	Arsenic Treatment -- Well #6	003 2004	\$ 680,000	70%	2004
33	Town of Carefree	2,945	Arsenic Treatment	006 2004	\$ 3,400,000	80%	2004
34	Livco Water Co	1,200	Concho Valley Consolidation	058 2004	\$ 100,000	70%	2004
35	Marana Domestic Water Improvement District	2,146	Purchase of Tucson Water Zone W	084 2004	\$ 2,700,000	80%	2004
36	Keaton Development Company, Inc.	1,000	System Evaluation of Drinking Water Production, Storage, and Distribution System	095 2004	\$ 40,000	70%	2004
37	Water Utility of Greater Tonopah, Inc.	507	Arsenic Removal	101 2004	\$ 850,000	75%	2004
38	Valencia Water Company, Inc	2,927	Arsenic Removal	102 2004	\$ 4,400,000	75%	2004
39	City of Wilcox	1,214	Packing Plant Well Project	019 2004	\$ 1,200,000	70%	2004
40	Oak Creek Valley P.O.A.	500	Arsenic Treatment	034 2004	\$ 125,000	75%	2004
41	Livco Water Co	1,200	Meters Upgrade / Replacement	054 2004	\$ 75,000	70%	2004
42	Horseshoe Ranch Water Co	668	New Storage Tank / Booster Pump	061 2004	\$ 20,000	75%	2004
43	Miracle Valley Water Company	695	New Sources / Storage Tank / Booster Pump	064 2004	\$ 30,000	75%	2004
44	Valley Utilities Water Co, Inc	4,400	Arsenic Removal	089 2004	\$ 2,537,000	80%	2004
45	Forest Lakes Domestic Water Improvement District	2,500	Meters replacement	052 2004	\$ 400,000	75%	2004
46	Pima Ramada MHP, LLC	26	Emergency Back Up Water Supply/Alternative Water Supply	035 2004	\$ 13,088	75%	2004
47	Livco Water Co	1,200	Engineering Study	053 2004	\$ 100,000	70%	2004
48	Livco Water Co	200	U-33 tank level control	056 2004	\$ 4,000	70%	2004
49	Livco Water Co	1,200	Stotage Capacity	057 2004	\$ 100,000	70%	2004
50	Mustang Water Co	210	New Water Sources & Storage	062 2004	\$ 75,000	70%	2004
51	Green Valley Domestic Water Improvement District	8,000	Arsenic Removal	099 2004	\$ 1,400,000	75%	2004
52	Beaver Valley Water Co.	300	Storage Tank/Fencing of Property/Replace Water Main/Operation of Well	016 2004	\$ 90,000	75%	2004

Note - All loans will be cash funded.

Arizona's Drinking Water Revolving Fund
2004 Funding Cycle -- Priority List for Drinking Water Revolving Fund
September 24, 2004

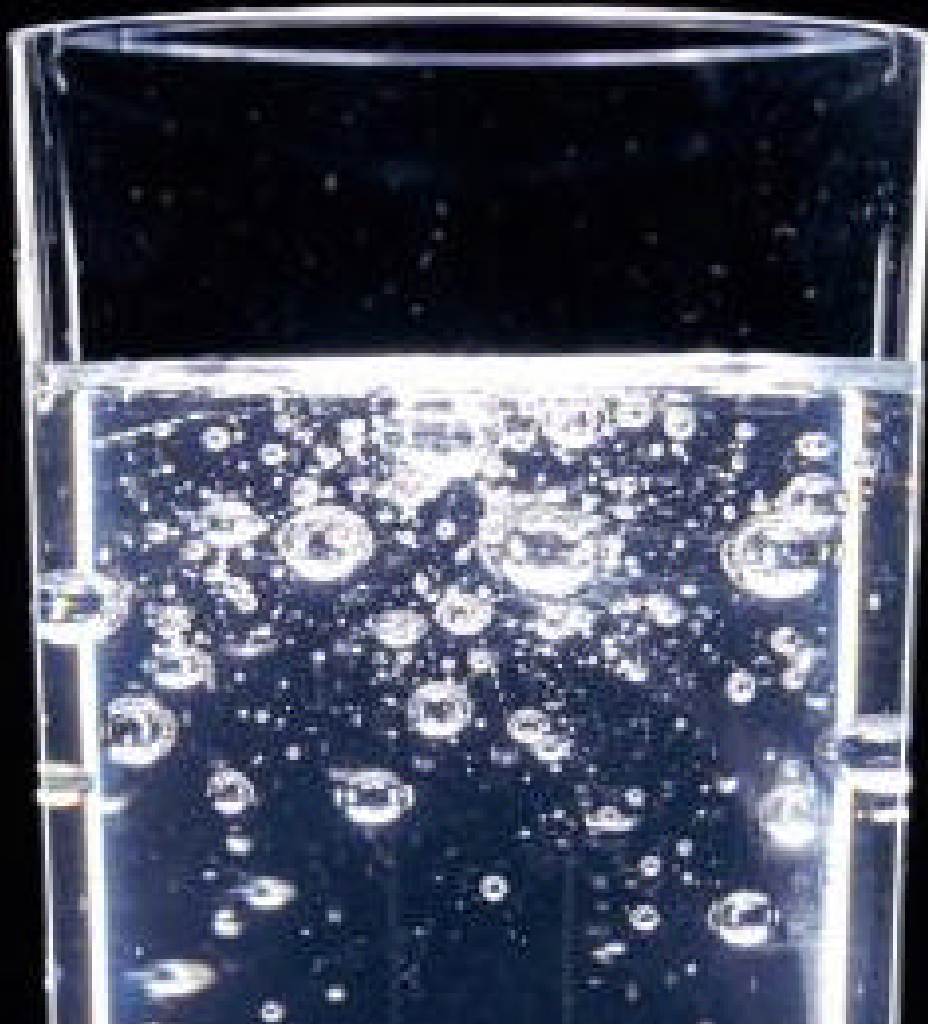
Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index	Funding Cycle
53	Livco Water Co	1,200	Third Well Pump & Controls	055 2004	\$ 25,000	75%	2004
54	Solitude Trails DWID	90	Transmission Lines	050 2004	\$ 200,000	75%	2004
55	City of Peoria	106,000	24" Waterline 79th Ave/Greenway Sports Complex	007 2004	\$ 545,000	80%	2004
56	City of Peoria	106,000	5MG Reservoir @ Greenway Water Treatment Plant	008 2004	\$ 3,800,000	80%	2004
57	City of Peoria	106,000	Pyramid Peak Water Treatment Plant Phase II	009 2004	\$ 2,745,000	80%	2004
58	Beaver Dam Water Co.	1,000	Water Pressure	010 2004	\$ 250,000	75%	2004
59	City of Nogales	22,000	Macrometers Installation	021 2004	\$ 234,000	70%	2004
60	City of Nogales	22,000	Water Meters Upgrade	023 2004	\$ 600,000	70%	2004
61	City of Phoenix	1,300,000	Deems Hill Reservoir	030 2004	\$ 23,000,000	80%	2004
62	Town of Eagar	4,700	Water Storage Tank	039 2004	\$ 500,000	80%	2004
63	Pineview Water Company	4,000	Storage Tank/12" Main	051 2004	\$ 730,977	70%	2004
64	Chandler Heights Citrus Irrigation District	3,200	Disinfection System Capitol Improvement	040 2004	\$ 206,000	85%	2004
65	Valley Utilities Water Co	4,100	Multiple Improvement	036 2004	\$ 450,000	80%	2004
66	Sunrise Water Co	3,792	Storage Tank	047 2004	\$ 418,000	80%	2004
67	Yarnell Water Imp. Assoc	1,200	Well Construction	018 2004	\$ 250,000	70%	2004
68	City of Nogales	22,000	Mariposa Port of Entry Tank	020 2004	\$ 600,000	70%	2004
69	City of Nogales	22,000	Back-Up Generators	022 2004	\$ 400,000	70%	2004
70	City of Nogales	22,000	Nogales West Water Mains Replacement	024 2004	\$ 213,272	70%	2004
71	City of Nogales	22,000	Meadow Hills Improvements	026 2004	\$ 107,250	70%	2004
72	City of Nogales	22,000	Ciardulli Place Mains Replacement	027 2004	\$ 50,000	70%	2004
73	City of Nogales	22,000	Water Transmission on Morley	028 2004	\$ 305,000	70%	2004
74	City of Nogales	22,000	Vista Del Cielo Water Reservoir	029 2004	\$ 200,000	70%	2004
75	City of Phoenix	1,300,000	Transmission Main Rehab	032 2004	\$ 4,000,000	80%	2004
76	Town of Cave Creek	4,100	Water Storage Tank	033 2004	\$ 1,500,000	80%	2004
77	West End Water Co.	816	West End Water Co. Wittmann System	046 2004	\$ 500,000	80%	2004
78	City of Goodyear	15,000	New Water Source Projects	080 2004	\$ 8,982,000	80%	2004
79	City of Goodyear	15,000	ACP Water Main Replacement Project	074 2004	\$ 2,708,014	85%	2004
80	City of Goodyear	15,000	Estrella Mountain Ranch Redundant Water Srouce	079 2004	\$ 2,431,008	85%	2004
81	City of Globe	8,565	Water System Improvements	081 2004	\$ 5,000,000	75%	2004
82	City of Goodyear	15,000	Non-Potable Groundwater Treatment	065 2004	\$ 7,695,000	85%	2004
83	City of Goodyear	15,000	Water Temperature Treatment Process	066 2004	\$ 572,400	90%	2004
84	City of Goodyear	15,000	Fire Hydrant Replacement Project	067 2004	\$ 162,450	90%	2004
85	City of Goodyear	15,000	Cathodic Protection System Installation Project	071 2004	\$ 1,566,000	90%	2004
86	City of Goodyear	15,000	Potable Water Reservoir Coating System Replacement Project	072 2004	\$ 1,566,000	90%	2004
87	City of Goodyear	15,000	SCADA System Monitoring Project	073 2004	\$ 663,480	90%	2004
88	City of Goodyear	15,000	Water Valve Replacement Project	075 2004	\$ 225,000	90%	2004
89	City of Goodyear	15,000	EMR Transmission Main Improvement Project	076 2004	\$ 306,000	90%	2004
90	City of Goodyear	15,000	Potable Water Distribution Valve Security Program Project	077 2004	\$ 181,800	90%	2004
91	City of Goodyear	15,000	Fire Hydrant Security Program Project	078 2004	\$ 414,000	90%	2004
92	City of Nogales	22,000	Undersized Mains Downtown Replacement	025 2004	\$ 1,000,000	80%	2004
93	City of Chandler	220,000	Well Remediation	096 2004	\$ 477,190	85%	2004
94	City of Chandler	220,000	Water Main Replacement	097 2004	\$ 4,156,896	85%	2004
95	City of Chandler	220,000	New Well Construction	098 2004	\$ 2,425,100	85%	2004
96	Double G	80	Well Construction	017 2004	\$ 15,000	80%	2004
97	City of Yuma	91,000	40th Street Water Transmission Line	042 2004	\$ 7,200,000	80%	2004
98	City of Yuma	91,000	Avenue B Water Transmission Line	043 2004	\$ 1,300,000	80%	2004
99	City of Yuma	91,000	Avenue A Water Transmission Line	044 2004	\$ 1,320,000	80%	2004
100	City of Yuma	91,000	8th Street Water Transmission Line	045 2004	\$ 1,590,000	80%	2004
101	City of Flagstaff	60,000	Future Water Aquisition	082 2004	\$ 15,000,000	80%	2004
103	City of Flagstaff	60,000	New Water Wells	083 2004	\$ 8,000,000	80%	2004

Note - All loans will be cash funded.

Exhibit B:

2004 Funding Cycle Fundable Range for Design

Arizona's Drinking Water Revolving Fund



Arizona's Drinking Water Revolving Fund
2004 Funding Cycle -- Fundable Range for Design Financial Assistance
June 2, 2004

Fundable Range	MPL Rank	Applicant	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	34	Keaton Development Company, Inc.	System Evaluation of Drinking Water Production, Storage, and Distribution System	095 2004	\$ 40,000	70%
2	43	Livco Water Co	Engineering Study	053 2004	\$ 100,000	70%
3	75	City of Goodyear	New Water Source Projects	080 2004	\$ 8,982,000	85%

Note – All loans will be cash funded.

Exhibit C:

2004 Funding Cycle Fundable Range for Construction

Arizona's Drinking Water Revolving Fund



Arizona's Drinking Water Revolving Fund
2004 Funding Cycle -- Fundable Range for Construction Financial Assistance
June 2, 2003

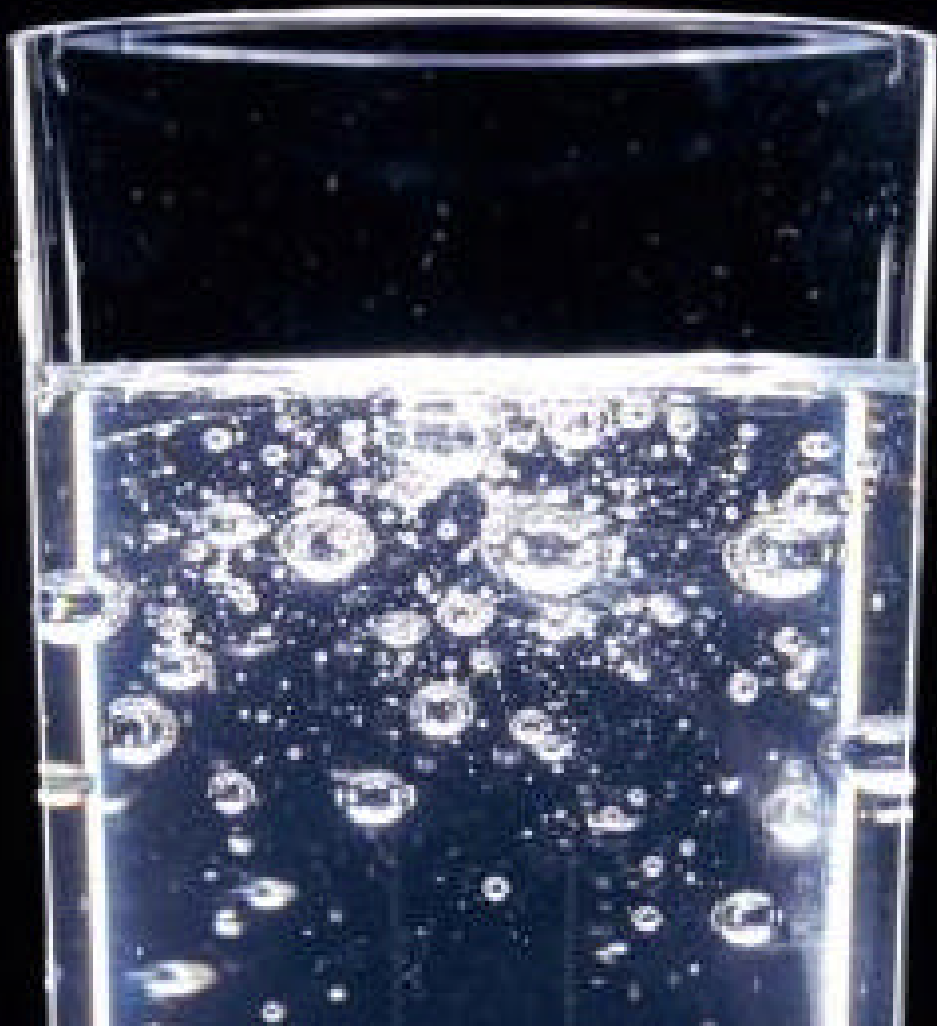
Fundable Range	Rank	MPL Rank	Applicant	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	3		Antelope Peak Domestic Water Improvement District	System Repair & Rehabilitation	086 2004	\$ 61,230	70%
2	13		Woodruff Domestic Water Improvement District	Storage Tank	005 2004	\$ 135,376	70%
3	21		Picacho Water Improvement Corp.	Facilitites Rehabilitation: Repair and Expansion	041 2004	\$ 365,000	75%
4	42		Pima Ramada MHP, LLC	Emergency Back Up Water Supply/Alternative Water Supply	035 2004	\$ 13,088	70%
5	51		City of Peoria	24" Waterline 79th Ave/Greenway Sports Complex	007 2004	\$ 545,000	80%
6	52		City of Peoria	5MG Reservoir @ Greenway Water Treatment Plant	008 2004	\$ 3,800,000	80%
7	53		City of Peoria	Pyramid Peak Water Treatment Plant Phase II	009 2004	\$ 2,745,000	75%
8	58		Town of Eagar	Water Storage Tank	039 2004	\$ 500,000	70%
9	62		Valley Utilities Water Co	Multiple Improvement	036 2004	\$ 450,000	80%
10	73		Town of Cave Creek	Water Storage Tank	033 2004	\$ 1,500,000	80%
11	89		City of Chandler	Well Remediation	096 2004	\$ 477,190	80%
12	90		City of Chandler	Water Main Replacement	097 2004	\$ 4,156,896	80%
13	91		City of Chandler	New Well Construction	098 2004	\$ 2,425,100	80%
14	93		City of Yuma	40th Street Water Transmission Line	042 2004	\$ 7,200,000	80%
15	94		City of Yuma	Avenue B Water Transmission Line	043 2004	\$ 1,300,000	80%
16	95		City of Yuma	Avenue A Water Transmission Line	044 2004	\$ 1,320,000	80%
17	96		City of Yuma	8th Street Water Transmission Line	045 2004	\$ 1,590,000	80%

Note – All loans will be cash funded.

Exhibit D:

Public Review and Comment Summary

Arizona's Drinking Water Revolving Fund



SECTION 1: SUMMARY OF COMMENTS FROM PUBLIC HEARINGS AND PUBLIC MEETINGS

A public hearing was conducted in Phoenix at 1110 W. Washington Avenue, Room #250 from 10 a.m. to 12 p.m. Friday, November 14, 2003. Members of the public present:

B. Newhouse, Yarnell Water
Bea Parker, Mountain Glen Water Service
Jason Bethke, Carter & Burgess
Stan Francom, Carefree Water Company
Tony Grant, Aquastore SW
Suzanne Price, WIFA
Moncef Tihami, WIFA
Jay Spector, WIFA

There was no oral testimony or written comments presented at the November 14, 2003 public hearing.

The Board of Directors approved and adopted the Final DWRF Intended Use Plan, Final Priority List, Final Fundable Range for Design and Fundable Range for Construction at a **public meeting** on Wednesday, December 17, 2003.

A public review and written comment period for the Final DWRF IUP and PL was publicly advertised and conducted from October 23, 2003 through November 24, 2003. Comments were due by November 24, 2003 at 5:00 p.m.

Written comments from the Environmental Protection Agency, Region IX (EPA) were received during the public review and comment period. WIFA's responses are noted below.

SECTION 2: SUMMARY OF CHANGES TO THE DRAFT DWRF INTENDED USE PLAN

The **Environmental Protection Agency** (EPA) provided written comments as summarized below:

Page i, last paragraph: Since this paragraph corresponds to the federal DWRF Priorities in 40 CFR 35.3555(c)(1) which reads: "...address the most serious risk to human health; are necessary to ensure compliance with the requirements of the Act (including requirements for filtration); 'and assist systems most in need, on a per household basis, according to state affordability criteria,' reference the Safe Drinking Act requirements.

Staff Response: Staff included the reference at the end of the paragraph.

Page 1, Section 2: The section must meet the requirements in 40 CFR 35.3555(c)(4) Financial Status which reads: "The IUP must describe the sources and uses of DWRF program funds including the total dollar amount in the fund, the total dollar amount available for loans including loans to small systems; the amount of loan subsidies that may be made available to

disadvantaged communities from the 30 percent allowance in Sec. 35.3525(b)(2); the total dollar amount in set-aside accounts, including the amount of funds or authority reserved; and the total dollar amount in fee accounts.” Add information related to the additional infrastructure funds from interest earned, repayment, reserves, fees, bonds, etc.

Staff Response: Staff added fees, interest earned, repayments, etc. to Table 1 under “Other.”

The sentence in Section 1: Lending Capacity, which read, “WIFA’s staff estimate Arizona’s DWRF will have a minimum capacity of \$9,413,035 and a maximum capacity, through potential leveraging, of \$37,652,140 for financial assistance activity,” was deleted. The sentence, “Through active portfolio and financial management, WIFA’s lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds, ” was added to paragraph two, Section 2: Funding Sources and Uses on page 1.

The first paragraph is Section 4: Method and Criteria for Distributing Arizona’s DWRF, which read, “At the minimum, Arizona’s DWRF will have \$9,413,035 for financial assistance during the 2004 funding cycle. At the maximum, based on WIFA’s ability to leverage bond funded loans, Arizona’s DWRF will have \$37,652,140 for financial assistance during the 2004 funding cycle,” was deleted. It was replaced by, “At the minimum, Arizona’s DWRF will have \$25,486,920 for financial assistance during the 2004 funding cycle. Through active portfolio and financial management, WIFA’s lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.”

Page 2 Paragraph 1: Adjustments to any of ADEQ’s set-asides (PWSS, Capacity Development Assistance and Wellhead) must be approved by DEQ. (35.3510).

Staff Response: No changes have been made in ADEQ set-asides. If changes are made, approval by ADEQ will be obtained.

Page 2 Financial Assistance: Change:WIFA will ~~reserve~~ **target** a minimum of 15% for water systems that serve ~~less than~~ 10,000 or **fewer** persons.

Staff Response: Staff implemented the requested wording.

Page 2, Forgivable Principal: Describe WIFA’s disadvantaged program as required in 35.3555(c)(7), disadvantaged community assistance. The IUP must describe how a State’s disadvantaged community program will operate including: (i) The state’s definition of what constitutes a disadvantaged community; (ii) A description of affordability criteria used to determine the amount of disadvantaged assistance; (iii) The amount and type of loan subsidies that may be made available to disadvantaged communities from the 30 percent allowance in Sec. 35.3525(b)(2); and (iv) To the maximum extent practicable, an identification of projects that will receive disadvantaged assistance and the respective amounts.

Staff Response: Staff modified “Forgivable Principal” to “Additional Subsidies”. Staff also referenced WIFA’s disadvantaged program in accordance with WIFA Policy 1.013 – Disadvantaged Drinking Water Systems.

Page 2 Wellhead: The SWAP Program ended in May, 2003. Replace Source ~~Water Protection Plan (SWAP)~~ with **ground water protection** and confirm this change with ADEQ.

Staff Response: Staff reconfirmed this changed with ADEQ and replaced the wording in the text.

Page 3, Goal 1: CWRP resources must be awarded in accordance with federal and state requirements. The needs of the citizens may be in conflict with federal and state requirements. According to 40 CFR 35.3150(b)(2) short and long-term goals: Identify and short and long-term goals.

Staff Response: Staff qualified the paragraph to show that WIFA's goals, ongoing objectives, and annual objectives, as detailed in WIFA's 2003 – 2004 Strategic Plan, reflect state and federal requirements. Staff referenced the short and long term goals in the Strategic Plan.

Page 4, Priority List: Section 35.3510 Establishment of the DWRF program – “(1) The authority to establish assistance priorities and to carry out oversight and related activities of the DWRF program other than financial administration of the fund, must reside with the state agency having primary responsibility for administration of the state's public water system supervision (PWSS) program (i.e., primacy) after consultation with other appropriate state agencies.” Add a reference acknowledging ADEQ as the primacy agency and their role in setting program priorities. Reference WIFA rules for more information.

Staff Response: Staff added a reference acknowledging Arizona's Department of Environmental Quality as the primacy agency, their participation in the DWRF priority list process and establishment of fundable ranges, as well as WIFA's formal rules.

Page 3, Priority List, Fundable Range Exhibits A, B and C: In accordance with 40 CFR 35.3555(c)(2)(i)...The fundable list of projects must include: the name of the public water system; the priority assigned to the project; a description of the project; the expected terms of financial assistance based on the best information available at the time the IUP is developed; and the population of the system's service area at the time of the loan application. The comprehensive list must include, at a minimum, the priority assigned to each project and, to the extent known, the expected funding schedule for each project. A state may combine the fundable and comprehensive lists into one list, provided that projects which are expected to receive assistance from available funds designated for use in the current IUP are identified.

Staff Response: Staff made the necessary adjustments to the fundable range priority lists to reflect the required information.

Page 4, Binding Commitment: In accordance with 35.3550(e), Binding Commitments, the state must make binding commitments with assistance recipients to provide assistance from the DWRF. Binding commitments must be made in an amount equal to the amount of each capitalization grant payment and accompanying state match that is deposited into the fund and must be made within one year after the receipt of each grant payment. Add the statement, “The federal and state funds will be committed within one year after receiving a federal payment.”

Staff Response: The binding commitment statement was added as suggested.

Items not included or properly addressed: WIFA's Draft DWRF IUP need to better address the following DWRF requirements in:

- 40 CFR 35.3550(g)(1) identify the source of state match
- 40 CFR 35.3550(o) compliance with cross-cutter requirements
- 40 CFR 35.3555(c) (1) Priority System; (2)(ii) Bypass procedures; (2)(iii) Funding emergency projects; (3) Distribution of funds; (8) Transfer Process (9) Cross-collateralization Operating Agreement Section II.E.3.(h)(1) Environmental Review

Staff Response:

Sources of state match were identified in Table 1.

Federal cross cutter requirements were added in Section 6: Assurances.

Priority system, bypass procedures and emergency funding were referenced in Section 4.

Criteria and method of distributing funds for the priority lists was amplified in Section 4.

Transfer process and cross-collateralization were added in Section 6: Assurances.

Environmental Review Requirements were referenced in Section 6: Assurances

Copies of written comments and edits from the Environmental Protection Agency are available upon request.

In addition to EPA changes, WIFA staff made a correction on Page 2, Technical and Local Assistance to reflect the actual percentage of FY 2004 Federal Contributions for Capacity Development. The prior allocation of 2.2% was replaced by 7.5%.

SECTION 3: SUMMARY OF CHANGES TO THE DRAFT DWRF PRIORITY LIST

The following applications were submitted after publication of the Draft Priority List during the public review and comment period:

<u>Application #</u>	<u>Applicant</u>	<u>Amount Requesting</u>
DW-081-2004	City of Globe	\$11,400,000

City of Globe – Ref#: DW-081-2004

Adjustment: Project scored and ranked # 38 on the DWRF Priority List.

Justification for adjustment: Globe submitted their application after the publication of the draft Funding Cycle 2004 Priority List. Since the WIFA Board of Directors will approve a final Project Priority List at a public meeting on December 17, 2003, WIFA Staff included the application for Board review and approval.

Based on the additional application submitted during the public review and comment period, Funding Cycle 2004 DWRF Priority List Rankings were adjusted. Copies of written comments (correspondence) are available upon request.